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## Mexico

### Agricultural Situation

### Weekly Highlights & Hot Bites, Issue #25 2004

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- \*ATO ORGANIZED U.S. PAVILION AT EXPHOTEL YIELDS OVER \$5 MILLION IN PROJECTED SALES
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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
[MX]

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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

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#### **MEXICO'S OFFICIAL STANDING ON POTENTIAL NEW DISCOVERY OF BSE IN THE UNITED STATES**

The following is an official press bulletin (No. 156/04) from the Mexican Ministry of Agriculture (SAGARPA) in response to USDA's announcement of an inconclusive test case of BSE.

The National Service of Food Health, Safety and Quality (SENASICA), announced that if a possible new case of BSE in the United States is confirmed, preventive measures have already been taken as required by the World Organization of Animal Health (OIE). If a new case of BSE is confirmed in the United States, the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) has taken preventive measures on imports of beef meat from the country of origin.

The Animal Plant Health Inspection Service of the United States (USDA-APHIS) identified a suspicious case of Bovine Spongiform Ecephalopathy (BSE) as part of the routine rapid screening test used as part of the enhanced BSE surveillance program in the United States, but thus far the diagnostics have proved inconclusive. The results must be ratified or discarded by the National Laboratory of Veterinary Services of the United States over the next four to seven days.

The Director In Chief of SENASICA, Javier Trujillo Arriaga, explained that conditions and measures for health control have been taken since imports of beef meat of U.S. origin were allowed back in Mexico in March 2004 and are in accordance with OIE recommendations. It was reiterated that the health and safety of agricultural food products that are placed on consumers' tables in the national and international markets are a priority for this administration, and this effort has allowed Mexico to elevate its health status. As a result of the first case of BSE detected in the United States, SENASICA resorted to implementing severe measures on imports of beef meat to Mexico.

Currently, Mexico has prohibited the entry into its territory of animals suspected of being infected with BSE, including downed animals, specified risk material (SRM) such as the cranium, brain, ganglions, eyes, spine, spinal cord and dorsal ganglions of the spine of bovines over the age of 30 months or more, as well as tonsils and distal ileum of animals of any age. Furthermore, the importers and authorities from the United States must prove that they have implemented a health system that prohibits the feeding of ruminants with ruminant protein, avoid the use of advanced meat recovery systems and the stunning of animals with compressed air at the moment of slaughter to avoid contamination of the carcass with SRM, and the retention of carcasses from which samples have been taken for testing BSE until obtaining negative results.

The health conditions imposed by Mexico on the United States are reflected in the import health requirements, established by SAGARPA, and USDA must certify each shipment of beef meat exported to Mexico.

After the first case of BSE, announced by USDA in December 2003, and after the guidelines for health control were modified and mitigating risk measures were implemented, only boneless meat can come into Mexico and only when it does not represent a health risk. (Source: SAGARPA's Web Page, June 28, 2004)

#### **ATO ORGANIZED U.S. PAVILION AT EXPHOTEL YIELDS OVER \$5 MILLION IN PROJECTED SALES**

From June 9-11, 2004, the Agricultural Trade Office endorsed its seventh annual U.S. Pavilion at EXPHOTEL, the largest trade event in the Caribbean zone targeting the hotel, restaurant and tourist industry. Over 30 U.S. firms participated in the Pavilion and as a result, they estimate more than US\$125,000 in on-site sales and over US\$5 million in year-long sales. For the first time, a section of the Pavilion was dedicated to U.S. wines. In addition, *The Wine Institute* sponsored a wine tasting and seminar for the most important clients in the region. (Source: *ATO Mexico City*, 6/25/04)

#### **THE UNITED STATES DELAYS ENTRY OF POULTRY PRODUCTS FROM MEXICO**

The U.S. government delayed the entry of poultry meat and processed eggs from Mexico arguing that there are still sanitary problems. The President of the Mexican Poultry Producers, Cesar de Anda, said that officials from the governments of Mexico and the United States will meet this week in Boston to discuss this issue. De Anda added that the delay is bureaucratic as the sanitary aspects are solved, and that this is the reason why negotiations are underway between both industries and governments to comply with the agreement to open the border. (Source: *Reforma*, 6/22/04)

#### **THE U.S.-MEXICO DISPUTE ON FRUCTOSE CONTINUES**

Mexico and the United States did not reach an agreement on the special 20-percent tax applied by the Mexican government to beverages using high fructose corn syrup (HFCS). Therefore, U.S. authorities requested that the WTO establish a special panel to analyze the case and serve as mediator in the dispute. However, Mexico rejected the creation of that group, an act which will now give both parties an additional month to dialogue and possibly resolve the issue. In case a satisfactory agreement is not reached at the end of this additional month, the United States has the right to again request the establishment of a dispute resolution panel – a request which Mexico cannot reject a second time. (Source: *Financiero*, *Milenio* and *Jornada*, 6/23/04)

#### **THE UNITED STATES REQUESTS TIME TO COMMENT ON MEXICO'S CORN CONTAMINATION**

The U.S. Administrator of the Environmental Protection Agency, Michael Levitt, kept quiet when non-governmental organizations (NGOs) protested about the cancellation of the presentation on the contamination of Oaxaca's native corn cultivations with genetically modified corn. NGOs protested during the eleventh regular session of the Council of Ministries of the North American Commission for Environmental Cooperation (CEC), which was held in Puebla, Mexico, June 21-23, 2004. According to a local newspaper, the presentation was postponed because the United States government was "nervous." It stated

that additional time was needed to review the final draft since the session would be at the same time as a World Trade Organization meeting. (Source: *La Jornada*, 6/23/04)

### **THE UNITED STATES IS WORRIED ABOUT CORN CONTAMINATION IN MEXICO**

According to a local newspaper, the U.S. government (USG) announced a report on the contamination of Oaxaca's native corn cultivations with transgenic corn will be published, as soon as the USG's comments are ready, although it expressed its concerns about the document's content. This declaration comes after protests yesterday in the public meeting of the eleventh regular session of the Council of Ministries of the North American Commission for Environmental Cooperation (CEC). The meeting concluded without the ministers from the United States, Canada and Mexico making an official combined announcement on the transgenic corn issue. (Source: *La Jornada*, 6/24/04)

### **THE MINISTRY OF AGRICULTURE ANNOUNCES A SUPPORT PROGRAM FOR YELLOW CORN**

On June 18, 2004, the Secretariat of Agriculture, Livestock, Rural Development Fisheries and Food Stuffs (SAGARPA) announced in the *Diario Oficial* (Mexico's Federal Register) the specific guidelines for the support program of forward contract purchases of yellow corn and sorghum (see MX4033 and MX3028). The support will apply only for the 2004 spring/summer crop (harvested in fall/winter 2004/05). The total volume subsidized will be 900,000 MT for the spring/summer 2004 crop cycle. It is relevant to note, however, that SAGARPA does not specify the breakdown of the total volume of support for each grain. For the spring/summer 2004 crop cycle, official estimates indicate that Mexico will produce approximately 16.6 MMT of corn and 4.1 MMT of sorghum. According to livestock and animal feed industry sources, they should participate in this forward contract purchase program in order to be eligible for the allocations of over-quota of imported corn under NAFTA. Traditionally the GOM has issued import permits above the NAFTA corn tariff rate quotas (TRQ). The minimum TRQ for U.S. corn under NAFTA is 3.360 MMT in 2004. (Source: *Diario Oficial*, 6/18/04)

### **MEXICO STUDIES OPENING THE BORDER TO TRANSGENIC PRODUCTS**

According to the Secretary of Environmental and Natural Resources (SEMARNAT), Alberto Cardenas, Mexico should look for a "gradual opening to biotechnology and transgenic products, because up to now there has not been any study that demonstrates genetically modified organisms are harmful to people." Also, he stated that the introgression of transgenic corn into native varieties in Oaxaca, "is a fact that we have never denied," but noted that no such introgression had been detected in the states of Jalisco and Puebla. Cardenas pointed out the possibility of creating "protection areas" for more than 50 Mexican corn varieties in order to avoid introgression. He insisted that it is necessary to have a framework law regulating biotechnology and "to transform corn cultivation into an emporium in the country in which the grain originated." (Source: *La Jornada*, 6/28/04)

### **INDIGENOUS GROUPS REJECT TRANSGENICS**

According to a local newspaper, the Mexican Secretary of Environment, Alberto Cardenas, the U.S. Administrator of the Environmental Protection Agency, Michael Levitt, and Canada's Under Secretary of Environment, Norine Smith, faced the claims of Oaxaca, Puebla and Tlaxcala indigenous groups. These groups argued that they have been adversely affected because of the contamination of their native corn with pollen of transgenic corn. Moreover, they claimed the report on the impact of genetically modified organisms on native corn has to be released, as soon as possible, in order to protect the country through a moratorium on

transgenic products. The demonstration was held during the eleventh regular session of the Council of Ministries of the North American Commission for Environmental Cooperation (CEC). (Source: *El Universal*, 6/23/04)

#### **DID NAFTA ENHANCE EMPLOYMENT OPPORTUNITIES?**

In the ten years since NAFTA was signed, employment opportunities in the United States, Mexico and Canada have been precarious. Besides the unsteadiness of earnings, workers from the three countries have lost benefits as well as quality of life standards. An analysis regarding the employment situation, conducted by Alberto Arroyo and collaborators, revealed that during NAFTA, unemployment skyrocketed dramatically within the three countries. Also, the report indicates that economically active women were the most affected social sector due to "cuts" in the number of permanent employment, while the informal economy, unstable and temporal employments increased remarkably. (Source: *La Jornada*, 6/28/04)

#### **THE FINANCE SECRETARIAT INCREASES MEXICO'S ECONOMIC GROWTH FORECAST**

The GOM raised its forecast for economic growth this year as rising U.S. demand boosts the nation's exports of goods ranging from raw metals to electronics. The government expects the economy to expand 4 percent this year, up from a previous forecast of 3-3.5 percent, and after growing 1.3 percent in 2003. "This is related to what is happening in the United States," Finance Secretary Francisco Gil Díaz told members of the American Chamber of Commerce in Mexico City. He further stated that, "The Mexican "economy is growing broadly, without a concentration in a single branch of activity." Mexican exports rose 21 percent in May from the same period a year earlier, helping the country post a US\$57 million trade surplus, its first since February 2003. The ninth consecutive rise in exports is in turn encouraging factory managers to invest in new equipment and boost payrolls, extending growth to the domestic economy, according to Alfredo Thorne, an economist with J.P. Morgan Chase & Co. in Mexico City. Ford, the world's second largest automaker, says its Mexican sales may grow 9 percent this year, assuming total Mexican automobile sales will rise at the same rate to a record high 1.08 million units, said Marcos de Oliveira, President of Ford Motor Company's Mexican unit. (Source: *El Financiero*, *El Universal* and *La Jornada*, 6/24/04)

#### **REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY**

NUMBER	TITLE	DATE
MX4079	Weekly Highlights & Hot Bites, Issue #24	6/22/04
MX4080	Status on Avian Influenza #3	6/25/04

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